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SUBJECT: SCENESETTER: PANAMANIAN PRESIDENT TORRIJOS
SEPTEMBER VISIT TO WASHINGTON

REF: A. (A) PANAMA 704
[1](#)B. (B) PANAMA 714
[1](#)C. (C) PANAMA 725

Classified By: Ambassador Barbara J. Stephenson.
Reasons: 1.4 (b), (c) and (d)

Summary

[1](#)1. (C) Panamanian President Martin Torrijos will visit Washington in mid-September for meetings with the Secretary of State and the President. These meetings will take place about ten days after the ruling Revolutionary Democratic Party (PRD) will have selected its presidential candidate. The PRD primary on September 7 will close Panama's primary season, and the country will turn its attention to general elections scheduled for May 3, 2009 to not only elect Torrijos' successor but also to fill every elected seat in Panama. Likely to be Torrijos' last one-on-one meeting with the President, this visit provides an excellent opportunity to review the state of the U.S.-Panamanian bilateral relationship with an eye to consolidating our achievements. Furthermore, in meeting Ambassador to receive her credentials on August 6, Torrijos shared his desire to take the bilateral relationship to the next level, a view he subsequently reiterated to Senator Hagel on August 27.

[1](#)2. (C) We expect Torrijos to detail how his Administration has laid the groundwork for Panama to take off on a trajectory to establish itself as a First World nation by continuing Panama's prosperity and democracy and, in particular, attacking the conditions that leave 37 percent of Panamanians in poverty. First VP and FM Samuel Lewis, who will accompany Torrijos, previewed for Ambassador on August 29 that Torrijos would ask the President to submit the U.S.-Panama Trade Promotion Agreement (TPA) to Congress before his term expires, even if the Colombia TPA has not been approved; we do not believe that Torrijos will make a public appeal to jump the queue, something Ambassador and EMBOFFs have counseled against.

[1](#)3. (C) Security cooperation should figure prominently in the discussion between the two presidents, but Torrijos may not

raise the issue; we should. The U.S. and Panama mutually benefit from a broad, extensive, and mutually beneficial security cooperation relationship (REFTEL A). That security relationship, however, has come under renewed scrutiny as Panamanians wrestle with a "militarization" debate. Torrijos, likely to be defensive on his security reform efforts, needs to hear that the U.S. highly values its security cooperation with Panama, believes that this aspect of our broader relationship can be taken to a higher level. However, we should avoid giving blanket USG approval for his security reform plan. Torrijos should be encouraged to anchor his security reform process in democracy, respect for human rights, and the broadest possible basis of political support he can muster. How Torrijos and his administration manage their security reform process will determine the degree to which we can transform our security cooperation (REFTEL C). Thankfully, Panama's most pressing emerging security threat -- the FARC presence -- is manageable if it is met with a calibrated, coordinated, and concentrated effort to strengthen governability in Panama's Darien province that abuts Colombia. END SUMMARY

Panama is Ready for Take-Off

14. (C) Panamanian President Torrijos is rightfully very proud of his record of achievement at putting Panama's house in order to prepare for take-off on a trajectory that will take Panama to First World status. The President will hear from Torrijos how he reversed a grim fiscal situation (a budget

deficit of 5.4 percent of GDP in 2004), re-vamped Panama's tax structure and increased collection, and produced fiscal surpluses since 2006. Additional, Torrijos will explain how he took on Panama's insolvent social security system (Caja de Seguro Social) and assured its short-term solvency. Having put Panama on firm financial footing, Torrijos next secured popular approval via national referendum in October 2006 to expand the Panama Canal by constructing a third set of locks that will not only be able to handle significantly larger ships but that will also double the canal's cargo capacity. "American ports need to start getting ready -- some already are -- to handle larger ships and more traffic," Torrijos has told Ambassador. "The canal expansion will strengthen the strategic relationship between Panama and the U.S." Finally, Torrijos pushed through the U.S.-Panama Trade Promotion Agreement (TPA), overcoming opposition within his own party and protectionist sectors, and firmly committed Panama to global leadership to foster free trade and integration. "These steps were essential to giving Panama the capacity to tackle the economic disparities and rid Panama of poverty," First VP and FM Samuel Lewis told Ambassador on August 29. "The next administration will have the tools and resources to address the plight of the 37 percent of Panamanians who today live in poverty." Today, the Torrijos Administration has a newly heightened sense of urgency to implement programs and put in place structures to channel resources and political attention to meeting major challenges in education, healthcare, judicial reform, law enforcement, and welfare. Torrijos recently distributed to all his ministers and other key GOP leader count-down clocks that tick off the time that remains until he steps down from office on July 1, 2008.

Torrijos to Ask Privately to Jump the TPA Queue

15. (C) Lewis laid out for Ambassador on August 29 that Torrijos would ask the President to submit the U.S.-Panama TPA to the U.S. Congress for consideration before his term expires, even if the U.S.-Colombia TPA has not yet been approved. Presidential palace foreign affairs advisor Jorge Ritter, who will also travel with Torrijos, reiterated to POLCOUNS on September 4 that Torrijos would indeed ask the President to jump Panama ahead of Colombia in the TPA queue. Panama would most likely push for action on its TPA with the U.S. in a lame duck U.S. Congressional session. Ambassador

and EMBOFFs have cautioned against going public with this request to jump the queue and urged the Torrijos Administration to not get in front the President on this matter. Embassy has cautioned against creating unforeseen political problems for consideration of the U.S.-Panama trade deal. That Torrijos would consider approaching the President with this request underscores Panama's desire to finalize the fourth leg of the Torrijos Administration's strategy to ready Panama for economic take-off. In his other activities in Washington -- meetings on the Hill, two days of roundtables and sessions with trade groups entitled "Panama Forum," press availabilities, and interaction with supporters of the trade deal -- Torrijos will seek to raise the profile of the U.S.-Panama TPA by underscoring its strategic significance for the U.S. and Panama. Furthermore, he will advocate for approval of both the Colombia and Panama TPAs to put the U.S. relationship with the hemisphere on a firm strategic footing. Torrijos will need to hear clearly from the U.S. regarding its strategy to secure Congressional approval, not only of the Panama deal, but also of all pending trade deals.

FARC Threat: Manageable

¶6. (C) Lewis told the Ambassador that the FARC threat in the Darien was in the process of changing. Lewis said the FARC had suffered several major blows since May, including the hostage rescue, the deaths of several members of the Secretariat, and the capture of the Reyes computers. The real

threat to Panama now is that FARC forces may flow into the Darien looking for refuge and supplies and spreading chaos. This is an especially serious problem given that the Darien is, for the most part, ungoverned space. The fact that the FARC have not been more successful up to now in building up support in the Darien owes more to strong anti-Colombian prejudice in the Darien than to effective GOP policies. Given this scenario, Lewis believes the GOP must calibrate its response to the FARC, and use more of a soft-power approach, concentrating on issues of governability. This includes improving the quality of life of local security officers, the effectiveness of local government, providing economic opportunity for the local population, as well as bolstering the capacity of the police.

¶7. (C) Lewis, analysis is right on target. Post believes that with limited support from the USG for a comprehensive, calibrated approach to the Darien, the GOP will lead the effort to strengthen governability in this province that borders Panama. Strengthening local government is the area where U.S. assistance is likely to be most beneficial. Panama's highly centralized government has failed to effectively govern its Darien province for the last one hundred years. Based on recent USAID pilot efforts to address community needs, now is the time to develop effective local government and other structures that can coordinate with the central government to improve basic services, education and health care. This will assure the support of the local population, and the eventual isolation and defeat of the FARC in the Darien. USAID has proposals in this area pending funding through the Merida Initiative, and Post asks that they be given full consideration. Post is also developing an interagency Section 1210 Security and Stabilization proposal to counter FARC and narcotics trafficking activities in the Darien through strengthening local government, enhancing border security, reconstruction infrastructure, and developing alternative economic activities.

Panama Helps Itself

¶8. (C) The last time President Torrijos met with President Bush, he asked for USG assistance acquiring helicopters, as part of a plan to militarily confront the FARC in the Darien. While Post does not believe that this military response is now a top priority, we are pleased to report that the GOP is

taking the initiative on its own to meet its security aviation needs. Minister of Government and Justice Daniel Delgado told SouthCom Deputy Commander Lt. Gen. Spears August 21 that the National Assembly had authorized his ministry over \$40 million to upgrade the equipment of Panama's Police and National Aero-Naval Service (SENAN) currently being formed by the merger of its air and maritime services. According to Delgado, this includes money for the refurbishment of seven Huey helicopters, including pilot training and spare parts, in addition to seven patrol boats. He said he hoped to have four of the helicopters operational by December. Post believes that these helicopters will go a long way to meet Panama's need for multi-mission aircraft, and represent a very positive step in upgrading the capabilities of its forces.

Anchoring Security Reforms in Democracy Key to Cooperation

¶9. (C) Security cooperation should figure prominently in the discussion between the two presidents, though it is uncertain whether Torrijos himself, wounded by his own mishandling of Panama's "militarization" debate, will raise the matter. Torrijos is likely to defend his enactment, by executive fiat and without robust consultation, a series of security reform laws that have raised the specter in the minds of many Panamanians that Torrijos wishes to "militarize" Panama, something that was constitutionally outlawed after the U.S. removed former strongman Manuel Noriega from power in December 1989. Torrijos has essentially told Ambassador that these security reforms are too important to be left to the democratic process. Unfortunately, Torrijos' mismanagement of the security debate has unleashed a political dynamic that imperils his own security reform effort and threatens to strain our bilateral security relationship as critics -- that they conflate with the controversial reforms -- take aim at essential U.S. security activities in Panama.

¶10. (C) Fortunately though, Panama's most pressing emerging security threat -- the growing FARC presence and activity in Panama -- is manageable if it is met now with a calibrated, coordinated, and concentrated effort to strengthen governability in Panama's Darien province that abuts Colombia. The U.S. needs to foster partnership with Panama to assist the GOP to strengthen governability in Panama's remote border region with Colombia. SOUTHCOM currently has a 12-person Army Joint Planning and Assistance Team (JPAT) imbedded with the Frontier Force providing training and assistance. To assist Panama in this endeavor, Torrijos needs to understand that how he manages this critical debate will determine the degree to which the U.S. can partner with Panama on vital security cooperation. We should encourage Torrijos to ensure that security reform efforts are anchored in democracy and respect for human rights. At the GOP's request, SOUTHCOM is actively assisting in the establishment of a human rights office in Panama's Ministry of Government and Justice (MOGJ) along with human rights training at all levels of the MOGJ and Panama's public forces.

Skeptical About "Alliance for Growth and Prosperity"

¶11. (C) Torrijos is eager to join the President on September 24 in a meeting New York City on the margins of the UN General Assembly with leaders from other countries that have signed trade deals with the U.S. While it was "a great idea to meet," Lewis told visiting Acting A/S for International Organization Affairs Brian Hook on August 27, "It would be counterproductive to deploy the 'Alliance for Prosperity and Growth' banner." Lewis explained that such a formalized effort could "actually be a drag on efforts to promote free trade." Though supportive of free trade, Lewis said such an endeavor could politicize and create an ideological struggle over free trade.

Securing Panama's Recognition of Kosovo

¶12. (C) Panama has been dithering for months over granting recognition to Kosovo. The question is not "if" Panama will recognize Kosovo, but rather when and how. In the face of dogged and multi-level Embassy approaches, the GOP has repeatedly provided different stories regarding how and when it will recognize Kosovo. Shortly after Kosovo declared its independence, Panama told the U.S. it would recognize Kosovo, "soon, but after the Europeans." Subsequently, Panama said it was working to organize a block of Central American countries to jointly recognize Kosovo, though it does not appear that Panama put much diplomatic energy into this effort. Then Panama said it wanted to follow the "larger countries like Mexico, Brazil or Colombia" in its recognition. Now that Colombia has recognized, Panama has indicated that it will do so once Panama leaves the UN Security Council on December 31.

ICE Raid Ensnarers 50 Illegal Panamanians in Mississippi

¶13. (C) On August 25, U.S. Immigration and Customs Enforcement (ICE) agents executed a federal criminal search warrant at Howard Industries, an electric transformer

manufacturing facility in Mississippi, for evidence relating to aggravated identity theft, fraudulent use of social security numbers and other crimes and a civil search warrant for individuals illegally in the U.S. Of the 595 illegal aliens who were arrested, some 50 were Panamanians. Noting that Panama was not a significant source country for illegal immigration to the U.S., Lewis explained to Ambassador on September 4 that Panama wanted to defuse this matter by facilitating the voluntary return of the Panamanians to Panama. Lewis said the MFA was sending additional personnel to bolster its consular staff in the U.S. as they dealt with this challenge. Each individual arrested will need to have their cases reviewed as some may be entitled to immigration benefits. We are coordinating closely with the GOP to manage public relations.

STEPHENSON